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SUBJECT: DEPUTY SECRETARY NEGROPONTE MEETS WITH CIVIL
SOCIETY REPRESENTATIVES

Classified By: Ambassador Linda Jewell for reasons 1.4 (b&d).

11. (C) Summary: The Deputy Secretary rounded out his Quito visit with a meeting at the Ambassador's Residence with six representatives from a diverse array of civil society sectors to gain a non-governmental perspective on Ecuador's current political and economic outlook. A/S Shannon and DCM Brown also participated. End Summary.

12. (C) Former Finance Minister Mauricio Pozo opened the discussion with an overview of Ecuador's macroeconomic health. He noted that the country is enjoying an unprecedented abundance of resources, thanks mostly to high oil prices but also to ATPA-fuelled growth in non-traditional exports. But he expressed strong concern that this abundance was removing any sense of urgency for needed reforms and encouraging an undisciplined approach to spending by the Correa government. This was sustainable in the short term, but if unchanged by early to mid 2008 he worried that the country could face economic crisis.

13. (C) Former FTA negotiator Manuel Chiriboga shared Pozo's concerns on the economic front. He lamented that the country -- including under the previous government -- had developed no consensus about the economic model it should pursue, making it no surprise that in the end the effort to achieve an FTA lacked needed public and political support and fell short. There was no chance to revive that effort in the short-term, but perhaps later if Ecuador found itself between both Peru and Colombia with FTAs then a fresh momentum could develop. Although disappointed by the current setback on trade liberalization, Chiriboga was encouraged by Correa's hints that he might tackle the country's unsustainable and damaging domestic energy subsidies. Shifting the conversation to politics, Chiriboga explained that the country had reached a point of such unprecedented institutional collapse that the upcoming constituent assembly offered the only way out. Frustration was such that had the assembly not been approved, the situation could have disintegrated into a more dangerous scenario (implying the risk of violence).

14. (C) Jose Valencia, director of respected political NGO Participacion Ciudadana, agreed. He noted that the 81% support for the constituent assembly is the most overwhelmingly positive electoral result for such an initiative in Ecuador's history. He said that traditional political parties were thoroughly discredited. They were not internally democratic, instead representing the narrow

interests of small groups and a corrupt spoils-system model of politics that the voters have now rejected.

15. (C) Enrique Ayala, rector of the Andina University and a member of the Socialist Party, brought the perspective of someone who served in the previous two constituent assemblies. He did not believe that Correa forces were secretly drafting a new constitution for the assembly, but

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instead would offer broad guidelines and use the current constitution as a point of departure. Of equal importance, he said, would be the assembly's decisions on other elements of the system: whether to suspend or dissolve the current Congress; whether to install new courts and other government bodies, and so forth. Although confessing unabashed hope that the assembly would result in a new constitution of leftist orientation, he was not optimistic. He was certain that Correa would have a controlling majority in the assembly, but he feared that the leftist movements coalescing around Correa would eventually splinter and fail to achieve consensus on key issues.

16. (C) Maria Gloria Alarcon, President of the Chamber of Commerce of Guayaquil, expressed the deep concerns felt by many members of the business community about Correa's policies. He regards private enterprise as the enemy, she said. There is no dialogue with the current government. She is worried about respect for fundamental liberties, citing not only his harsh rhetoric against the business class but also the media. And she is worried about his affinities with Chavez and the influence that Venezuelan petro-dollars could have on future developments in Ecuador.

17. (C) Carlos Jijon, a senior journalist based in Guayaquil who has known Correa for many years, focused his comments on Correa's personality and background. He emphasized the

formative importance of liberation theology in the development of Correa's social and political views. According to Jijon, Correa was a disciple of Monsignor Proano of Riobamba, the leading proponent of liberation theology ideas in Ecuador in the 70's. He accepts the legitimacy of "Christian violence" as a response to the more offensive "violence of a child who goes to bed hungry." He is an intelligent and cultured man, and most importantly, honest. Ecuadorians have become accustomed to discounting the strong rhetoric of other recent Ecuadorian populists who opportunistically change their positions as convenient, but that would be a mistake in the case of Correa. He firmly believes in everything he says and there should be no surprises on that score. He is a genuine revolutionary, and circumstances are such that he is the most powerful President that Ecuador has had in generations. Jijon believes Correa will be in power for the next 15 years.

Comment

18. (C) This dialogue with representatives across a wide spectrum of Ecuadorian civil society conveyed the broad consensus that Ecuador's current political system is thoroughly broken, and the mix of hope and deep concern about Correa's capacity and vision for attempting to fix it.

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